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District Director of Internal Revenue  
EP/EO Division Group 7204  
Baltimore

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(4) of the Internal Revenue Code.

You are an organization created to provide low and moderate income families with cooperative housing services under Federal and State programs. You will develop and operate a housing cooperative for the benefit of your members. [REDACTED] percent of your units will be occupied by section 8 assisted families and the rest by moderate income families.

Section 501(c)(4) of the Code provides exemption from federal income tax to organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(A)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

In Consumer-Farmer Milk Cooperative, Inc. v. Commissioner of Internal Revenue, 186 F. 2d 68, the Court denied exemption under section 501(c)(4) because the organization's purpose was primarily to benefit its members economically and only incidentally to further larger public welfare.

In Commissioner v. Lake Forest, Inc., 305 F.2d 814 (4th Cir. 1962), the court denied exemption to an organization providing cooperative services on the basis that the operation was a private self-help enterprise with only an incidental benefit to the community as a whole.

Rev. Rul. 73-306, 1973-2 C.B. 179, holds that an organization formed to provide grocery purchasing services on a cooperative basis to its members is not exempt under section 501(c)(4) of the Code. The ruling was based on the fact that the organization was operated primarily for the benefit of its members.

[REDACTED]

Your primary activity which is the cooperative ownership and operation of apartment units provides substantial benefits to your members. The cooperative nature of your activities is similar to activities of the organization described in the above-mentioned court cases and Revenue Ruling. Accordingly, you are not promoting social welfare within the meaning of section 501(c)(4) of the Code.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your principal officers, must be submitted in duplicate within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your principal officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practice Procedures.

If we do not hear from you within 30 days, this ruling will become final and copies of it will be forwarded to the District Director in Baltimore, Maryland. Thereafter, any questions about your federal income tax status should be addressed to that office.

Sincerely yours,

[REDACTED]  
Chief, Exempt Organizations  
Rulings Branch

cc: [REDACTED]  
[REDACTED]